SAVE OUR INDUSTRIES ACT

Summary

TO EXPAND TRADE IN TEXTILES AND APPAREL BETWEEN THE UNITED STATES AND THE PHILIPPINES

SAVE ACT

INCREASING U.S. EXPORTS

STRENGTHENING THE U.S.-PHILIPPINE RELATIONSHIP

REJUVENATING THE PHILIPPINE APPAREL INDUSTRY

The SAVE Act is innovative win-win trade legislation with a broad coalition of support that will sustain jobs in both the United States and the Philippines.

The SAVE Act:

- The SAVE Act would allow for apparel products manufactured in the Philippines using U.S. made fabrics to enter the United States duty free.
- The legislation would also provide duty-free benefits for a limited number of non-import sensitive apparel articles to help reestablish a competitive Philippine apparel industry.
- The SAVE Act would provide for the strictest levels of customs enforcement, putting in place measures to prevent any transshipment of apparel under the program.

Benefits of the SAVE Act:

- The SAVE Act would create for the first time a much needed opportunity for U.S. textile manufacturers to export fabrics to an Asian market and in turn create U.S. textile sector jobs.
- This legislation would maintain an important sourcing option in Asia for U.S. brands and retailers by allowing the Philippines to compete with China in the post- quota era.
- The bill would expand one of the most favorable and balanced U.S. bilateral trade relationships in the fast-growing Asia-Pacific region.
- The SAVE Act represents the first trade initiative with the Philippines, a former U.S. colony and key ally, in almost four decades, and would provide an important stepping-stone to a free trade agreement.

Key Provisions

SAVE OUR INDUSTRIES ACT

REVITALIZING THE U.S. TEXTILE AND PHILIPPINE APPAREL INDUSTRIES

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The Core Elements of the SAVE Act:

- The SAVE Act has been drafted to provide duty-free treatment to apparel products imported into the United Statcs that havc been manufactured in the Philippines using U.S. made fabrics.
- This type of program is often referred to as "809" and was important in the developmcnt of thc U.S. textile and apparel trade relationship with the Caribbean and Central American region.
- Proposed products under the 809 provision are based on the type of fabrics still made in the United States and include such items as: cotton and man-made fiber (MMF) trousers, cotton and MMF knit shirts, MMF knit coats, MMF woven men's shirts, and cotton and MMF swimwear.
- To be cligible, fabrics would need to be dyed and finished in the United States, although they could undergo certain processes in the Philippines, such as embroidering, stone-washing and screen printing.
- To enter duty-free, eligible apparel would need to be shippcd directly from the Philippines to the United States.

Cut & Sew Rules for Selected Products:

- The SAVE Act program would also allow duty-free treatment for a limited range of articles manufactured in the Philippines of fabrics not otherwise available in the United States, thus employing a "cut & sew" rule.
- By allowing these non-import sensitive itcms, Philippine apparel manufacturers would be able to provide a more competitive product offering to U.S. brands and retailcrs which would also likely increase thc use of the "809" program.
- Included in this category are such items as: women's & girls' cotton coats, men's & boy's MMF coats, cotton & MMF dresses and skirts, women's & girls cotton and MMF blouses, and infants' wear.

Enforcement and Customs:

- The SAVE Act would put in place the strongest type of requirements to prevent transshipment and promote strict customs enforcement.
- Among other requirements the Philippincs would be required to establish procedures for the seizure of possible transshipped merchandise bcfore it is sent to the United States.
- Significant penalties would be imposed on any importer or exporter found in violation of the SAVE Act provisions.
- The Philippines would be required to establish procedures to allow the U.S. Government access to information for shipments before they reach U.S. Customs under an Electronic Visa Information System (ELVIS).

Mutual Benefits

THE SAVE ACT: AN IDEAL FIT FOR U.S. TEXTILES AND PHILIPPINE GARMENTS

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New Economic Opportunities

Under the SAVE Act, U.S. textile manufacturers would be provided with a critical new opportunity to export fabrics into the dynamic and growing Asian market. With only modest levels of domestic apparel manufacturing remaining, U.S. textile mills are heavily reliant on foreign export markets.

Currently about two-thirds of U.S. textiles are shipped to NAFTA and CAFTA-DR countries. In 2010, less than $13 million of U.S. textile mill exports went to the Philippines, the vast majority of which consisted of industrial and specialty fabrics.

Within a few years of enactment of the SAVE Act, U.S. textile exporters could see a large new export market for apparel fabrics that would help to sustain and expand the U.S. industry, and provide thousands of additional jobs.

The Philippines also has extensive market access in the Asian region, including through the ASEAN Free Trade Area and the Japan-Philippines Economic Partnership Agreement, which could permit garments made in the Philippines using U.S. fabrics to be exported throughout Asia, further increasing the opportunities for U.S. textile producers.

Mutual Benefits

The SAVE Act program would not only help the U.S. textile industry but also the Philippine apparel manufacturing industry. The Philippines has a long history in apparel manufacturing and is known for their quality needlework, especially for high-end fashion items. The Philippines, however, has very little domestic textile production and is thus reliant on foreign fabric imports to supply their apparel manufacturing sector – these could be U.S. fabrics under the SAVE Act program. Unfortunately, with the continued growth of China in apparel production and the end of the quota system, the Philippine apparel sector has been declining.

Employment in the sector has dropped from 600,000 jobs in 2003 to 150,000 today. At the same time, apparel exports to the United States have dropped by 50% since 2006. The SAVE Act duty reductions would make the Philippines a competitive sourcing country and create higher demand for Philippine garments. This increased demand would allow Philippine manufacturers to re-open or expand their facilities and return thousands of jobs to the industry, at the same time they would be using significant quantities of U.S. fabrics to do so.

Total U.S. Apparel Imports from the Philippines (U.S. Dollars)*

2006	2008	2009	2010
$2 billion	$1.4 billion	$1 billion	$1 billion

*Source: OTEXA

Historical Partnership

THE SAVE ACT PROGRAM BUILDS ON OVER A CENTURY OF CLOSE RELATIONS BETWEEN THE UNITED STATES AND THE REPUBLIC OF THE PHILIPPINES

The United States and the Philippines share deep historical and cultural ties stretching back to the turn of the 20th century. Following the end of the Spanish-American War in 1898, the Philippines was annexed by the United States and later became a formal colony until the end of World War II. Since Independence in 1946, the Philippines has maintained close relations with the United States.

There are strong political, economic and security ties between the two countries. U.S.-Philippines cooperation is essential to combating extremism in Southeast Asia, and represents a key strategic partnership for the U.S. military. Moreover, one of the pillars of this important bilateral relationship is the some four million Filipino-Americans now residing in the United States.

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Notwithstanding the robust political, economic and security ties, the U.S. has not had any special trade arrangement with the Philippines in nearly four decades, although the United States does maintain preferential trade regimes for other former Asian-Pacific colonies such as the Marshall Islands, the Federated States of Micronesia and the Republic of Palau.

The United States and the Philippines have sustained a generally balanced bilateral trading relationship, which is not typical with other countries in the region. The SAVE Act program would continue to build on this positive trade relationship and further strengthen economic ties between the two countries.

U.S. Trade in Goods in Billions of U.S. Dollars*

	2008			2009			2010		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
Philippines	$8.3	$8.7	$-0.42	$5.8	$6.8	$-1	$7.4	$7.9	$-0.6
Thailand	$9	$23.5	$-14.5	$6.9	$19.1	$-12.2	$8.4	$22.7	$-13.7
Indonesia	$5.6	$15.8	$-10.2	$5.1	$12.9	$-7.8	$6.9	$16.5	$-9.5
Vietnam	$2.8	$12.9	$-10.1	$3.1	$12.3	$-9.2	$3.7	$14.9	$-11.2
Malaysia	$12.9	$30.7	$-17.8	$10.4	$23.3	$-12.9	$13.9	$25.9	$-11.9
Cambodia	$0.15	$2.4	$-2.2	$0.13	$1.9	$-1.8	$0.15	$2.3	$-2.1

*Source U.S. Census Bureau